

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Investigation into  
Implementation of Assembly Bill 970 Regarding  
the Identification of Electric Transmission and  
Distribution Constraints, Actions to Resolve  
Those Constraints, and Related Matters Affecting  
the Reliability of Electric Supply.

Investigation 00-11-001  
(Filed November 2, 2000)

**ADMINISTRATIVE LAW JUDGE'S RULING  
PROPOSING PHASE 5 SCHEDULE AND  
SETTING FURTHER PREHEARING CONFERENCE**

**I. Summary**

On June 12 and 13, 2003, I held a prehearing conference (PHC) in this investigation to obtain information regarding existing transmission constraints and potential transmission projects. We also discussed the status of development of a generic economic methodology for evaluating transmission projects (the pending and delayed Phase 5 of this proceeding).

In this ruling, I propose a schedule for Commission evaluation of the generic economic methodology. This undertaking is intended to complete Phase 5 and allow Commission approval of the generic economic methodology.

A PHC will be held at 2 p.m. on January 5, 2004, to establish the procedural schedule and scope for this continuation of Phase 5. The PHC will also be used to update the service list for this proceeding.

## **II. Evaluation of the Generic Economic Methodology**

In Phase 2 of this proceeding evaluating a new Southern California link to Arizona, Nevada, or Mexico, parties recognized the need for economic evaluation more sophisticated than the generally used production cost modeling, and the California Independent System Operator (ISO) began an RFP process to develop an economic methodology and analytical tools for evaluating new transmission projects. In Decision 01-10-070, the Commission directed that the economic methodology be filed and evidentiary hearings held following completion of the consultant's final report.

The ISO engaged London Economics to assist in development of a generic economic methodology for evaluation of the economic need of transmission projects. Subsequently, Phase 5 of this proceeding was established to assess the ISO's generic methodology. Phase 5 schedules have been deferred twice because of difficulties and delays in completing and validating the methodology.

The ISO submitted a report in the spring of 2003 describing what it considered to be an appropriate economic methodology, a workshop was held, and comments were filed. However, the market power model contained in the ISO's economic methodology was still under development, a more detailed network model was needed, and the methodology had not yet been validated by application to a specific transmission project. By an April 10, 2003 Administrative Law Judge (ALJ) ruling, Phase 5 was deferred "until the ISO has employed and validated a network model, and the ISO and one or more respondents have completed a study using the proposed methodology and network model for a specific, high priority transmission project."

The ISO reported during the June PHC that it was going forward with putting into place the models to undertake assessments of Path 26 using its

economic methodology, and that it anticipated work to be completed by the end of 2003.

### **III. Proposed Scope and Procedural Schedule**

I plan to adopt a schedule at the PHC whereby the Commission will assess and validate the ISO generic economic methodology, with application to an actual transmission project as discussed above. In order to allow this phase to focus on the economic methodology, the transmission project should be one that is not planned to be brought to the Commission for a Certificate of Public Convenience and Necessity.

The ISO and the respondent utilities should plan to coordinate their direct testimony. The scope of the Phase 5 evaluation will be discussed during the PHC. Testimony should include at least the following information:

- Documentation of the generic economic methodology, the computer models, and input data used in application of the methodology.
- Results of application of the generic economic methodology to a transmission project such as Path 26, Path 15, or Mission-Miguel.

For discussion at the PHC, I propose the following schedule for evaluation of the generic economic methodology:

ISO and respondents direct testimony	April 9, 2004
Workshop held by Energy Division	April 20, 2004
All other direct testimony	May 7, 2004
Concurrent rebuttal testimony	May 28, 2004
List of exhibits, witness availability, and cross-examination estimates	June 2, 2004
Evidentiary hearings	June 7 - 18, 2004
Opening briefs	July 9, 2004
Reply briefs and submission	July 23, 2004

#### **IV. Prehearing Conference**

The Commission will hold a PHC at 2 p.m. on January 5, 2004, in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California. The primary purpose of this PHC is to establish the procedural schedule and to identify any additional issues that should be addressed in Phase 5.

Parties may file PHC statements no later than January 2, 2004. It would be helpful for the PHC statements to address the following:

- Which transmission project should be used for evaluation of the generic economic methodology.
- Identification of any additional substantive issues that parties believe should be within the scope of Phase 5.
- Coordination of testimony by the ISO and respondents.
- Procedural schedules.

While the PHC statements must be filed with the Docket Office in paper form, they may be served on the service list in electronic form, pursuant to Rule 2.3(b) in the Commission Rules of Practice and Procedure. Paper format copies, in addition to electronic copies if made available, should be served on the Assigned Commissioner and the assigned ALJ, anyone on the Appearance and State Service portions of the service list who does not have a valid e-mail address, and any other party requesting paper format copy. If a party serves its PHC statement electronically, it should e-mail courtesy copies to the entire service list, including those appearing on the list as "Information Only." Parties filing PHC statements should bring 15 extra copies to the PHC. Parties are encouraged to meet and confer prior to the PHC and to file joint statements to the extent feasible.

## V. Update of Service List

The service list for this proceeding may contain names of persons who may no longer wish to remain on this list. To avoid unnecessary burden on the parties in serving upcoming filings, I will reduce the service list to only those persons currently interested in this proceeding. All persons who wish to remain on the service list should appear at the PHC or should contact the undersigned ALJ via electronic mail (CFT@cpuc.ca.gov) or by phone at (415) 703-3124 no later than 5 p.m. on January 6, 2004, if they desire to remain on the service list.

Therefore, **IT IS RULED** that:

1. The Commission will hold a prehearing conference (PHC) at 2 p.m. on January 5, 2004, in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California.
2. Parties may file PHC statements, as more fully set forth above, no later than January 2, 2004. Parties shall serve these statements on the service list, as well as on the Assigned Commissioner and assigned Administrative Law Judge (ALJ), and shall bring 15 extra copies of their PHC statements to the PHC.
3. Parties shall appear at the PHC or contact the ALJ as described in this ruling if they wish to remain on the service list for this proceeding. Only those persons who appear at the PHC or contact the ALJ as described above will remain on the list, and all other names will be removed.

Dated December 15, 2003, at San Francisco, California.

/s/ CHARLOTTE F. TERKEURST  
Charlotte F. TerKeurst  
Administrative Law Judge

## **CERTIFICATE OF SERVICE**

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling Proposing Phase 5 Schedule and Setting Further Prehearing Conference on all parties of record in this proceeding or their attorneys of record.

Dated December 15, 2003, at San Francisco, California.

/s/ KE HUANG

Ke Huang

## **N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.